NOMINATIONS OF CHARLES E. LORD AND JAMES E. YONGE

HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

FIRST SESSION

ON

THE NOMINATIONS OF

CHARLES E. LORD TO BE FIRST VICE PRESIDENT AND VICE CHAIRMAN AND JAMES E. YONGE TO BE A MEMBER OF THE BOARD OF DIRECTORS OF THE EXPORT-IMPORT BANK OF THE UNITED STATES

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NOMINATIONS OF CHARLES E. LORD AND JAMES E. YONGE

THURSDAY, DECEMBER 10, 1981

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING,
AND URBAN AFFAIRS,
Washington, D.C.

The committee met at 9 a.m. in room 5302 of the Dirksen Senate Office Building; Senator Jake Garn (chairman of the committee) presiding.

Present: Senators Garn, Heinz, and Proxmire.

The CHAIRMAN. The committee will come to order.

OPENING STATEMENT OF CHAIRMAN GARN

The CHAIRMAN. The committee will come to order.

Apparently there's some confusion about the time, starting at 9 or 9:30. Mr. Lord, I don't want you to feel terribly lonely, but due to the fact that you and I are on time, we will go ahead and start, at least get our statements out of the way.

Today we are conducting a hearing on the nomination of two individuals to the Board of Directors of the Export-Import Bank of the United States. They could not be joining the Bank at a more difficult time in its history. The Eximbank is under assault from all sides. It is currently in the first deficit period of its existence. Its loan authorization levels will potentially be at their lowest level since fiscal year 1979, while demands on the Bank to offer competitive financing arrangements for U.S. exports have never been higher. French, Japanese, British, and others are subsidizing their way into traditionally strong areas of U.S. exports, while the U.S. share of international trade continues to decline, our trade imbalance continues to mount, and more Americans are losing export-related jobs.

The Eximbank is at an important crossroads, in my opinion. The members of the Eximbank Board of Directors will play a crucial role in forming the future of the Bank, perhaps in maintaining its viability. The Bank has had no control over many of the problems facing it. Many of these problems will not be solved quickly. On the other hand, it is difficult to absolve the Bank of all responsibility for the problems that it is now required to face. All too often the Bank has been the least among its own advocates. The Bank has a strong case to make for its importance to the country, but one seldom hears anyone from the Bank making that case.

As a consequence, the resources available to the Bank are becoming even more scarce. With these ever-decreasing resources the

Bank faces ever-increasing challenges from export credit facilities in other countries. There have been some minor successes in the effort to end the export credit war, but U.S. policy seems to follow up each success with a surrender of ground to the enemy. U.S. negotiators were enthused about their modest success in raising the floor for official export credits to 10 percent. Immediately thereafter we gave away our improved competitive position by upping Eximbank rates to an effective 12½ percent. I wonder how serious the Europeans think we really are?

It is true that in a period of high interest rates the Bank found itself losing money as it loaned at rates below what it was paying for the money it borrowed. Such a condition is only temporary while commercial interest rates remain at record high levels. Since the administration's economic program went into effect on October 1, however, interest rates have dropped more than 400 basis points. But in the name of maintaining the viability of the Bank, Eximbank rates have climbed by more than 200 basis points. I wonder how many sales, jobs, and industries this country lost while we were supposedly trying to protect the viability of the Bank during a temporary period of losing money.

On the first of this month, the Treasury borrowed $777 million at an interest rate of 12.8 percent, which is only 0.3 percent above what Eximbank is currently charging for its loans. With these rates converging, I would expect that we have now seen Eximbank rates peak and we could look forward to a decline in the Eximbank lending rates in the near future.

For a number of reasons, this is a very important hearing. I am sure that the members of this committee have some tough questions for each of you. You have been nominated for a very tough and a very demanding job, particularly at this time.

I strongly support the Eximbank and I believe by working together we can make progress in dealing with the problems that the American exporting community faces.

I don't mean to indicate in my statement that it is not important to try to keep the Bank viable, but on the other hand, I have some serious questions that we will ask later about the long-term future of the Bank, and if there isn't some deliberate effort to wind the Bank down into nonexistence.

Mr. Lord, we're happy to have you with us this morning. Do you have any opening statement you wish to make?

Mr. LORD. Mr. Chairman, in the interest of time and the schedule that I know you and your colleagues are operating under these days, I thought I would best come prepared to answers questions rather than to make an opening statement.

The CHAIRMAN. I thank you.

Mr. Lord, if we could wait a moment, Senator Heinz is here, and rather than starting the questions, I would prefer to wait and see if he has any opening statement he would like to make.

[Recess.]

The CHAIRMAN. The committee will come to order. Senator Heinz?

Senator HEINZ. Mr. Chairman, as soon as I catch my breath from that run up the stairs—I'm not in as good a shape as Senator Proxmire.

Senator PROXMIRE. Come on, you're king of the hills.

Senator HEINZ. I hope they never reschedule that. [Laughter.]

Mr. Chairman, these are extremely important appointments, and I want to be sure that the committee, indeed, the Senate as a whole, proceed with care and thoroughness in their consideration—can we take a few-minute recess?

The CHAIRMAN. You didn't discover you were out of breath until you started talking. We can stop if you'd like.

OPENING STATEMENT OF SENATOR HEINZ

Senator HEINZ. I'm just kidding.

This committee on numerous occasions has taken the position that a strong, effective Export-Import Bank is critical to the success of a national export policy and to the successful achievement of our goal to end export credit subsidies through multilateral negotations in the OECD. Most recently, last July the committee approved S. 868, the so-called war chest bill, to authorize an additional $1 billion for the Bank, in the event such negotiations fail. The Senate as a whole echoed this committee's commitment, most recently approving a direct loan level of $4.7 billion for the Bank, $900 million more than the administration had requested.

There was also substantial sympathy in the Senate and in the Appropriations Committee for an even larger figure. The administration, to its credit, has largely recognized the need for an effective export program and has supported legislation to remove barriers to exporting, like the export trading company bill, the Foreign Corrupt Practices Act amendments and changes in the tax treatment of Americans working abroad. But unfortunately, it has not yet fully recognized the integral role the Eximbank plays in any successful export policy. As a result, the Bank has been permitted to effectively abandon its mandate to provide competitive financing. I do emphasize the word "mandate," Mr. Chairman, because that is part of the charter that we in Congress have enacted for the Eximbank, namely, the mandate to provide competitive financing.

What has happened is that interest rates were raised from 8.7 percent to 10.75 percent, plus a 2-percent fee, and then raised again to 12 percent. The amount of cover has been reduced. Preliminary commitments made at the old rates are being renewed only at the higher rates, forcing companies out of the bidding competition after they have expended considerable resources in preparing their package.

All these actions have been based on worst case assumptions about Bank funding. Also they've been based on unrealistic predictions of Bank borrowing rates. And finally, and I fear most seriously, they have been based on an inadequate understanding of what the Bank's function is.

The impact of these actions has been immediate and severe, and in my own State of Pennsylvania, alone, more than 4,000 jobs have been sacrificed in the last 3 weeks, due primarily to bank decisions that have cost us contracts. What is worse, I fear these losses are not in any way, shape, or form temporary, but they risk being permanent markets forgone, due to our lack of competitiveness.

In my judgment, this represents an abdication of the Bank's commitment to provide competitive financing. And frankly, I'm somewhat reluctant to proceed with these nominations without some assurance that Mr. Yonge and Mr. Lord understand this and are prepared to act to change these unfortunate and unjustifiable policies.

Mr. Chairman, I have met with Mr. Yonge and Mr. Lord twice in the past 9 days, and I must say I don't feel I yet fully have that assurance. They may not be completely against my point of view, but it's certainly been difficult to tell how much they are really and totally for it. Perhaps today's hearing will be more enlightening on these points.

I do want to emphasize so there is no misunderstanding that my concerns have nothing to do with the personal qualifications of either nominee. It is simply a question of policy issues, a question whether the congressional mandate is going to be fully and faithfully carried out. I believe that it is our responsibility and we shouldn't duck that responsibility in considering these nominations, as we pass judgment on these nominees' qualifications for these jobs.

So I hope today's hearing will clarify that, Mr. Chairman.

The CHAIRMAN. I understand what the Senator of Pennsylvania is saying. I have known Mr. Lord sometime now in his capacity as Acting Comptroller of the Currency. It certainly is not personal, I am sure he understands my feeling about the Bank and my feelings about the way this administration is handling it. Very frankly, I might as well say it on the record, I've said it every other place. I fought the Carter administration for 4 years on this issue, not only in this committee but as a member of the Foreign Operations Subcommittee of the Senate Appropriations Committee. That's one of the reasons we didn't have a foreign aid bill for two or three years, because Eximbank is locked into that budget. It really isn't foreign aid, but it gets tied in with it. I was fighting the Carter administration over levels of funding and trying to convince them that it meant jobs in this country, and in many cases at a far, far lower cost to the government than job training programs that we create.

Then I find that with my own party's administration getting in office, the fight didn't go away, it continued. I don't see much difference between the Carter and the Reagan administration approach, and that's the worst possible criticism I can give to the Reagan administration.

Senator HEINZ. That's pretty serious, vitriolic.

The CHAIRMAN. It is to compare them on any issue with the Carter administration, but unfortunately, in this narrow part of the Reagan administration, they haven't improved at all on the Carter administration's approach to the Eximbank.

Before we continue let me insert in the record a statement of Senator Chiles introducing Mr. Yonge.

[Statement follows as though read:]

STATEMENT OF SENATOR CHILES

Senator CHILES. Mr. Chairman, I'm happy to be here today to introduce Jim Yonge, who has been nominated to serve as a Director of the Export-Import Bank of the United States.

I'd be hard pressed to name a more qualified candidate to fill the Democratic vacancy on the Board of Directors. Jim Yonge has spent most of his professional life working with various banking, real estate, and commercial concerns in Florida. This has been the heart of his legal practice in the Jacksonville and Fort Lauderdale areas, and his major business interest. Over the years, he has organized a commercial bank and a Federal savings and loan association, serving both organizations as chairman of the board. The long list of corporations which he serves as a director is testimony to his sound business and financial judgment. The background that Mr. Yonge has gained from his years in banking has prepared him well for the kind of work the Eximbank does, particularly its loan and guarantee activities.

Government experience is nothing new to him. He has served the State of Florida as general counsel to its house and senate committees on finance and taxation. He has also been active in a number of government and service activities on the State and local levels.

Of course, one of Jim Yonge's best qualifications is his experience with President Reagan's transition team for the Export-Import Bank. In his time on the transition team, he picked up valuable insight into the workings of the Bank. He knows its setup and has given a lot of thought to the issues that face it. Most of Mr. Yonge's business dealings have been with small businesses, and he has a particular interest in encouraging small businesses to enter the export field.

Jim Yonge has a good grasp of the policy issues facing the Export-Import Bank, as well as the day-to-day workings of the organization. I hope the Senate will vote to confirm him before the winter recess.

The CHAIRMAN. Congressman Shaw, we are happy to have you here and we would be happy to have your introduction.

STATEMENT OF E. CLAY SHAW, JR., REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. SHAW. I came over this morning to lend my support to Mr. Yonge, who is being considered by this committee this morning. We are from the same hometown of Miami, Fla. Although we were not acquainted well at all at that particular time, we attended the same college, although he attended before I did, and we did not know each other at that time.

I think this gentleman has a quite unusual combination of background that is particularly important to this position. Not only is he well versed in the area of banking, as we would expect him to be, but also a businessman, and as an attorney I think he has an outstanding record. And I think that he will be well considered for this job. So I would strongly recommend his nomination.

The CHAIRMAN. Thank you very much. We appreciate your taking the time to come over and add this positive endorsement of Mr. Yonge. Thank you.

Mr. SHAW. And now I am under a time stress, thanks to the bells. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Lord, may I have you stand and be sworn in?

[The witness, Mr. Lord, was sworn.]

The CHAIRMAN. Mr. Lord, first of all I have some standard conflict-of-interest questions that I would like to ask you for the record.

Do you agree to recuse yourself from any decisions specifically affecting any company in which you or any member of your family has a financial interest?

Mr. LORD. Yes, I do.

The CHAIRMAN. Will you please describe in detail any deferred compensation agreements you are a party to or the amounts you will receive in any fixed agreements?

Mr. LORD. Yes, I do have in existence, Mr. Chairman, a contract with my former employer, the Hartford National Bank & Trust Co. and Hartford National Corp., the holding company that owns the bank, which was negotiated in late 1975 at the request of the board of directors in connection with my severance from the bank and the holding company as the result of a very unexpected, although fortunately very successful, bout with lung cancer.

I think the board felt that if there were difficulties in reestablishing myself as an employable individual, it was proper to have some supplementary compensation in the event the private marketplace proved difficult to reenter, which it did.

The contract provides that I am entitled to a payment on an annual basis that is the equivalent to 50 percent of the difference in any earned income from employment currently, and the salary level I received in my final year with the bank. That, in 1975, was $92,000. I subsequently went to work at Yale University and then here in the Federal Government at a salary considerably under $92,000. So the disability payment, which is a fixed payment, is 50 percent of the difference between the two figures.

The contract further provides for a supplemental pension in addition to the vested pension upon reaching the age of 65; it provides for a continuation by the company of major medical health insurance in the event that I am not able to get adequate coverage on a comparable basis going forward, given the medical disability; and it provides for payment to my spouse in the event of my death out of a group life insurance plan. But that is not at any cost to the institution since the premiums paid are deducted from the payment.

I have filed, of course, the full contract with the committee. But that describes it in a nutshell. It is a contractual payment, it is not subject to the earnings capability of the institution. It is a fixed amount.

The CHAIRMAN. Have all payments been rendered for past services?

Mr. LORD. Yes.

The CHAIRMAN. Under your original separation agreement with Hartford, you're required to make yourself available as a consultant.

It's my understanding this agreement has been amended so you will not be called for consultation while you're serving at the Eximbank; is that correct?

Mr. LORD. That is correct.

The CHAIRMAN. Do you also agree to recuse yourself from any decisions specifically concerning the Hartford National Bank?

Mr. LORD. Yes, I have.

The CHAIRMAN. If confirmed, do you agree to appear before this or other committees when requested to do so?

Mr. LORD. Yes, sir.

The CHAIRMAN. Mr. Yonge, if you would like to come up, I think the questions—both of you are nominated for the same Bank—will be similar. We can probably get some interplay.

I apologize for the confusion on the time. Mr. Lord was here only on time because he read about the hearing in the newspaper. I don't know where that confusion occurred. We normally start hearings at 9:30, and maybe everyone just assumed that that was the time.

So, don't worry about being late. We understand the problem.

Do you have any opening statements you wish to make before we go to questions?

Mr. YONGE. No, sir.

The CHAIRMAN. May I have you rise and be sworn.

[Witness sworn.]

The CHAIRMAN. Mr. Yonge, I also have for you some general standard conflict-of-interest questions.

If confirmed, it's my understanding that you will resign from your positions with the Northridge Bank, your law firm, and all of those companies except Q-Masters, Inc., where you will remain a director; is that correct?

Mr. YONGE. That's correct, sir.

The CHAIRMAN. Will you tell the committee what is Q-Masters, Inc.?

Mr. YONGE. It is a company that owns some barbeque restaurants in Broward County and Palm Beach County, Fla. We have three restaurants and are building the fourth at the present time.

The CHAIRMAN. Would you please describe any deferred compensation arrangements that you may have?

Mr. YONGE. Yes, sir. Q-Masters is agreeing to pay me $3,000 per month over the next 37 months as compensation for the first 3 years that I worked for them for nothing. And the bank has agreed to pay me a $50,000 bonus. Until yesterday that was to be paid monthly also, but our tax people said that can't work so it has to be paid in a lump sum. That will be done in January 1982.

The CHAIRMAN. These amounts in both agreements are fixed?

Mr. YONGE. Yes, sir.

The CHAIRMAN. Do you agree to recuse yourself from decisions at the Export-Import Bank which may involve any company in which you have a financial interest?

Mr. YONGE. I do.

The CHAIRMAN. If confirmed, do you agree to appear before this committee or other congressional committees if requested?

Mr. YONGE. Yes, sir.

The CHAIRMAN. Senator Proxmire, would you like to begin the specific questioning?

Senator PROXMIRE. I'm very impressed by the background of both of these nominees, Mr. Chairman.

Mr. Yonge, you're a Hill man, and that's great. You're sitting next to a Hotchkiss fellow. I hope you'll be able to pair up all right.

But seriously, both of you gentlemen have fine backgrounds in banking. You are going to be bankers, of course, as members of the Export-Import Bank.

Mr. Lord, you stress in your qualifications—and I'm delighted to see you do that—the following: You say the principal thrust of the department in its early years, the department that you headed, was the development of export financing for small- and medium-sized Connecticut businesses who otherwise would have had to turn to the Boston or New York money center banks for their international financing needs.

That's most encouraging because, as you may know, we unfortunately have enormous concentration in the Export-Import Bank in Boeing, General Electric, and other very large companies. Boeing has had a very large proportion of all of the loans. I think seven corporations have had most of the Export-Import financing.

We've had a discouraging time getting the small businesses involved, although I think they could do very well if they develop the confidence they can do so.

I think you are peculiarly qualified based on your experience and your success at the Hartford Bank to do this, as I read this. This is a big bank.

On the other hand, it's a bank concentrated, according to your statement here, on involving small business; is that correct?

Mr. LORD. That is correct; yes.

Senator PROXMIRE. And in addition to that, I am concerned, and I would like both you gentlemen to address this, with the fact that the Export-Import Bank unfortunately, because of the dramatic increase in interest rates, has had to be subsidized to a very considerable extent. We're concerned about that.

I see, Mr. Lord, in your statement you say by 1974 the International Department, which you were instrumental in, held approximately 15 percent of the bank's total outstanding loans, contributed better than 15 percent to net profits before taxes, and experienced total loan losses of under $100,000.

Do you think there's any practical possibility in the next couple of years to reduce the subsidy for the Export-Import Bank and at the same time expand its operations?

Mr. LORD. I think it should be a principal objective of the Board to work toward that, what I would think of as market-rate financing. But, of course, we do not control our competitors, namely foreign governments. I think that is the problem we face, balancing between trying to run a reasonably sound institution and competing with other parties who dance to a different tune. That's been the problem the Bank faces. That's the problem Senator Garn and Senator Heinz referred to at the opening of this hearing.

I, in view of my banking experience and after talking to the chairman about the responsibilities I might assume in going over to the Bank, would be primarily working to see if we can find ways

of remaining competitive and yet at the same time keeping the Bank a viable institution so that we're not faced, a few years down the road, with coming back to this Congress with empty pockets, having used up our surplus and saying, "Gentlemen, we either close the doors or we need another direct appropriation." I don't think that is necessarily in the best interest of the country.

I think there are ways that we can use the respite now of declining interest rates to develop strategies, methods of being more competitive, and to get increasing cooperation in the OECD to lending at market rates. I don't really believe that any government likes to pay unnecessary subsidies if it can divert tax revenues elsewhere for government purposes.

In the past, as you know, the Eximbank used to be a lender of last resort. And one of its mandates was not to compete with private sector banks—indeed, to have rates at or above market rates. The world has changed; I understand that.

I also understand that not even an agency of the U.S. Government, much less a commercial bank or savings bank, can pay more for its money than it receives in loans and make up the difference in volume. It doesn't work that way.

So, I think we have an obligation to run the Bank as soundly as possible.

Senator PROXMIRE. I appreciate that.

Mr. Yonge, the Export-Import Bank has a tremendous amount of support in Congress on both sides of the aisle—has consistently, because of the jobs involved here. At the same time, we are, as you know, in a position where we have to reduce, unfortunately, aid for the handicapped, aid for disadvantaged children. We've been cutting those programs sharply. We're going to have to continue to do that. And it's more important than ever, for that reason, that we do all we can to reduce subsidies everywhere, including Export-Import Bank.

Do you want to add anything to the remarks of Mr. Lord—to what you see we can do to make—to reduce the subsidy and make it more—less costly?

Mr. YONGE. I concur with everything Mr. Lord has said. I would add further that it looks to me like a daily, hands-on management problem at the Bank of taking our resources and using them as carefully as possible to be competitive in particular cases, while at the same time developing a long-range overall strategy concerning where the Bank fits in the total U.S. foreign trade program and then making a case if the case is there, if the facts support it, that the Bank should play a stronger role. If foreign trade is as important as we all think it is, the Bank has a very vital place right in the middle of that whole scenario.

So, I see two problems, one in the long range and, second, a very careful, day-to-day management of our resources.

The CHAIRMAN. Senator Proxmire, if I could ask you to yield, Senator Chiles is here to introduce Mr. Yonge.

We apologize for the confusion on time. The hearing started at 9. You were right on time at 9:30.

Senator CHILES. That's the first time I've ever been on time, Mr. Chairman. [Laughter.]

The CHAIRMAN. I have already placed Senator Chiles' introduction in the record before the question and answer period started.

Senator CHILES. I have a formal statement. It is already in the record, since you've already had an opportunity to meet Mr. Yonge and start the nominating process.

I am delighted to be here today. I had an opportunity—this fellow is much younger than I am, but even at that, he entered law school about the same time that I was leaving law school. So, I've had an opportunity to watch his career for a number of years in Florida.

I think he has had an outstanding career, both as an attorney and then, as happens to some of us that are attorneys, we get into some other lines. And, of course, through his legal work, he has moved into the work of becoming an expert on trade, on export-import matters.

And in addition to those matters, being a very successful lawyer and having a very successful law practice, he did move into the business field, where he has also been successful. And at the same time, he has been a community leader and provided outstanding service to his community.

So, I think that he will make an outstanding appointment to the Bank. And I think it is a time, as we all know, that we are trying to determine what is the direction and how can the Bank thus be used for strengthening our position.

I am delighted to see this nomination made, because I feel confident that Jim will do an outstanding job in that.

The CHAIRMAN. Thank you very much. We appreciate your being on time. [Laughter.]

Senator Proxmire, would you like to continue?

Senator PROXMIRE. Yes. I will try to be as brief as I can.

Mr. Lord indicated his specific experience with small business in connection with his banking operations. You were less specific in your listing of qualifications here with respect to small business.

What do you think you could contribute, what could the Bank do to engage more small businesses in export activity and in assisting small businesses?

Mr. YONGE. Let me say that not by design, perhaps, but because of the way my career has been, I've been involved in small business during my whole career. In fact, I read with some interest that at the Bank procedurally they consider small transactions of a million dollars or less of principal liability at the staff and loan committee level. A million dollars is the biggest loan I've ever seen.

Senator PROXMIRE. You're going to see some very much bigger loans.

Mr. YONGE. I understand that.

I have spent my whole career in small business, and I specifically see that the small businessman needs to know about the Bank. He needs to know that it's available to help him. We need to continue the programs that I understand the Bank has now of informing small businesses of how they can participate in the Bank's programs.

The area you spoke of first about the Bank having done so much business with several large companies, I was very concerned about when I served on a transition team at the Bank about a year ago

now. Since that time, further information that I have seen indicates that while the big company gets the contract and negotiates the loan with the Bank, most times that big company has subcontracted with tens of thousands of small businessmen to put the whole thing together.

At Boeing Aircraft, for instance, I think I've read figures that they have as many as 3,000 subcontractors and thousands of second tier subcontractors working for them. And those are the small guys, too. While they don't come directly to the Bank, they certainly benefit by the Bank's activities.

The CHAIRMAN. Mr. Yonge, if you would yield on that point--it's a very good point, because I don't think people understand that Boeing is not a manufacturer of aircraft. They are an assembler of aircraft. And that's true of most major manufacturers. They have hundreds of thousands of subcontractors that build the landing gear, build various pieces and subassemblies. So, there are a tremendous number of small businessmen involved in the process.

Senator PROXMIRE. Yes.

I would just like to ask one other point of both Mr. Lord and Mr. Yonge.

I tried to stress two elements here, and maybe they're conflicting.

Mr. Yonge, you have had not only excellent experience as a bank manager--Mr. Lord—but also as acting head of the Comptroller of the Currency Office Over National Banks.

Do you see any conflict between the notion of trying to reduce the costs of operation in the Export-Import Bank and at the same time persuading small business to be more active? Is that likely to be somewhat more expensive? Is it easier and more efficient and less costly simply to operate as they have operated generally in the past, with concentration on very large corporations?

Is there a conflict here?

Mr. LORD. No, I don't really think so, Obviously, the so-called direct loan program, which involves Boeing, General Electric, the very big, long-term financings that the Bank undertakes, is much more visible and attracts much more attention, much more publicity. That's understandable.

Most small businesses, based on my experience, either, as Jim has said, are subcontractors and benefit indirectly from the awarding of those contracts or are supported more through the Bank guarantee program, where the Eximbank has the guarantee authority, which is also subject to negotiation in the administration and the Congress——

Senator PROXMIRE. What I have in mind—I'm sure you noticed this, as Comptroller of the Currency—if the loan is an easy loan to pay, a profitable loan, the private sector has no problem with it—if one comes to you. You were talking about last resort, it comes to you when it's not easy, when there are problems, when there may even have to be some kind of subsidy involved.

Therefore, I realize it's always going to be hard for you to operate without some kind of subsidy, particularly with volatile interest rates.

Can we move more in that direction?

Mr. LORD. I think that's what I'm trying to say; yes. Through the guarantee program, where you involve not the great big sophisticated international banks but the regional banks, whose only real interest in international financing is in trade financing for small and medium-sized customers. That's where the Export-Import Bank program brings its knowledge and expertise and provides a sense of security, particularly in the political risk area, where I think most small and regional banks simply don't have the staff and knowledge and expertise to make judgments about political risk in foreign countries, much less commercial risk. Rather than turn the business over to the big, money center correspondent, they want to do it locally. That's what I was involved in in Connecticut, with the Export-Import Bank. There's very little outlay of funds from the Bank, the subsidy is doubly indirect, in that it only comes into play if, as, and when there were a default and the Eximbank would have to make good on its guarantee, which is very rare.

While it does overhang the market, and I understand where that element of subsidy comes in, it is not the same thing, in my judgment, as the direct loan program, where the Bank is actually borrowing in competition with the private sector in order to fund the commitments.

I might add, I think if the export trading company legislation passes the House one of these days, I think there will be an enormous opportunity for the Eximbank to work with regional banks that set up export trading companies, or with companies that group together to do so, and provide cover for some of the risks, cover that no smaller company ought to be asked to take around the world.

So, there is a proper role for the Bank there, where we do have the skill and the knowledge and the staff to evaluate risks in foreign countries, and that's our business, and share that knowledge through the guarantee program.

So, I think it can be done. It should be done.

Senator PROXMIRE. I'm very encouraged by this response, Mr. Chairman. I think it's so important that the Export-Import Bank view its job to a considerable extent as getting the private banking system, which is so big, so expert, and so competent at every level, every size, more involved in this process so that the Government will do less.

The CHAIRMAN. Thank you, Senator Proxmire.

Senator Heinz.

Senator HEINZ. Thank you very much, Mr. Chairman.

I'm puzzled by one thing Senator Proxmire said. He's lord of the Hotchkiss School, but I'm wondering what you had against the Hill School, which you also went to, in Pennsylvania?

Senator PROXMIRE. That's right. I spent 5 years there. Kind of stupid to spend 5 years to do 4 years of work. [Laughter.]

Senator CHILES. My son went there.

Senator HEINZ. Mr. Yonge, your statement of qualifications indicates that the knowledge and background that you have gained on the transition team gives you a great deal of insight into the policies and issues of the Bank, and that you will also bring to the Bank a conviction that the Bank must function according to professional guidelines. Is that correct?

Mr. YONGE. Yes, sir.

Senator HEINZ. There seems to be a debate—frankly, I'm not entirely sure why—as to the question of Bank priorities.

Now, which is more important, the competitiveness of the Bank or its self-sufficiency? Which is first and which is second?

Mr. YONGE. Senator, in my experience I have never been asked to be a judge, so I can give you an interpretation of my impression of the law, as an attorney. And it seems that the competitive aspect is the basic underlying concept for which the Bank was organized.

But the law also states very clearly that it must be very aware of the cost of its money. And in another place, the law speaks of—uses the term "dividends," which would indicate to me that somebody is making a profit, if we were talking about a dividend.

So, I would perceive that to provide competitive financing is its lead role, but to do so in a businesslike, sound way. The ideal, I suppose, would be to get ourselves in a position where we no longer needed to make direct loans; that is, our international trading competitors would agree to a rate that was the market rate, and that then the direct lending requirements of the Bank would disappear because the private sector could take care of it, and the Bank would be relegated to what Charlie spoke of, concentrating on political and commercial risk insurance and financial guarantees, in conjunction with the Bank. That's the ideal. That's not where we are today, however.

Senator HEINZ. Mr. Lord, do you agree that the first priority of the Bank is to be competitive?

Mr. LORD. I think it's the first priority, Senator, but I also think that one has to make sure that the Bank survives. At the moment, there is a tension there, and I think part of the job of the Board and the management is to achieve the balance between meeting the competitiveness mandate, which has to be a very selective, it seems to me, process, during a very difficult time.

Senator HEINZ. Isn't it Congress' job to make sure the Bank survives, and isn't it your job to be competitive?

The language of the charter is really rather clear. I fear one or the other, or both of you, may be misinterpreting it. Let me read it to you. It says:

Section 2(B)(1)(b). It is further the policy of the United States that the loans made by the Bank should bear interest rates determined by the Board of the Bank, taking into consideration the average cost of money for the Bank as well as the Bank's mandate—mandate—to support U.S. exports, at rates on terms and conditions which are competitive—competitive—with exports of other countries.

Now, there is a mandate to be competitive. There, you may take into account the average cost of money—and we've had a lot of hearings on what that means. And what it means is that you shouldn't be unnecessarily subsidizing things. You should take that into account, but it's not a determining factor on whether or not you should be competitive.

There is no way you, as a lawyer, Mr. Yonge, can construe the mandate to be competitive as anything other than that. But it just says, to the extent that you can be prudent, make sure you know

what the cost of money is before you agree to something, whether it is above or below it.

It doesn't say anything about the Bank's surviving, its self-sufficiency; and even if it did, the Bank has been profitable to this country, very profitable—it's made money—and maybe if interest rates remained at all-time record highs—they're not—the Bank might begin to worry, 2 or 3 years out: "Let's take a look at what's happening. What's happening is we're losing businesses hand over fist right now, because somebody decided they weren't going to support the mandate of Congress."

Now, are you going to support the mandate for the Bank? Yes or no?

Mr. YONGE. Yes, sir.

Mr. LORD. Very definitely, I intend to support the mandate.

Senator HEINZ. All right.

Senator PROXMIRE. Would the Senator yield on that? The language is as follows:

"It's further policy of the United States that loans made by the Bank shall bear interest rates determined by the Board, taking into consideration the average cost of money to the Bank." That's the first part of the statement: "Take into consideration the average cost of money to the Bank," as well as—as well as the Bank's mandate to support U.S. exports and trade, and so forth.

So that it would seem to me that any reading of that would, at the very least, give the cost of money to the Bank equal place—comes first, equal place—it says, as well as equal place with the competitiveness.

Senator HEINZ. Let me ask our friends this: If there is agreement and you both agree that competitiveness is the highest priority, how would either of you explain the current noncompetitive interest rates of 12.5 percent, a full 250 basis points above our closest competitors?

I would note that the Treasury borrowed, about a week and a half ago, at a 12.8-percent rate, $777 million worth of 7-year notes. That was on December 1.

Mr. YONGE. The rate you speak of is 12 percent, with two points up front. And that rate on aircraft is essentially the same as the international agreement.

On our other loans, it is 200 basis points, plus whatever credence you give to the two points up front. Different people interpret that differently. But for the sake of discussion, 200-plus basis points above the minimum charged by our foreign competitors.

I think it's a problem of trying to utilize the assets of the Bank as best the Bank management can. They have limited assets, and they are trying to use those assets to the best of their ability. The studies at the Bank are not complete as to what the effect of the 200-plus basis points has on winning or losing business. They are satisfied that 100 basis points above our competitors has not had any great effect on our competitiveness.

But it's a problem of not being competitive because they don't have enough money to be competitive with. If the 12-percent rate is in fact making us uncompetitive, it's because——

Senator HEINZ. It certainly is not going to be competitive. It does not have enough money to be competitive at $3.7 billion. That's the OMB level; that's not the congressional level.

Mr. YONGE. The administration has set that level, and that's the level we're working with today.

Senator HEINZ. It's your feeling that that level is too low in order for the Bank to be competitive. Is that correct?

Mr. YONGE. I am part of the administration, and as part of the administration I support what they're trying to do in economic recovery.

Senator HEINZ. I'm not asking whether you support or disagree with the administration. I'm not asking you that. Of course you support the $3.7 billion.

What I'm saying is: Is it your position that the $3.7 billion is too low, too small an amount in order for the Bank to be competitive?

Mr. YONGE. Yes, sir.

Senator HEINZ. Would you agree, Mr. Lord?

Mr. LORD. I would agree we could be more competitive, I think, particularly looking at 1982, with a higher authorization. But I agree with Mr. Yonge. If that's the final administration number, we will work to that or we will manage with what the Congress finally does appropriate.

Senator HEINZ. Would you both agree that at the present interest rate of 12.5 percent—and I think that 2-percentage-point fee is worth about 50 basis points, but I'm not going to try to get you to agree to that; that's a personal point of view—and the 45-percent cover—I mean, we all agree that that not only is that the current policy at the Bank, but that we're going to lose a lot of businesses because of that.

Would you agree with that, Mr. Lord?

Mr. LORD. I think, Senator, there are two things. Being competitive is, in my judgment, on a case-by-case basis, a function of a number of variables: interest rate, cover, term, maturity, flexibility, decision process—all those things that go into the mix. And so I don't think it's appropriate to say that any one factor is more or less competitive or not competitive.

I think part of the job of the Board and management is to work a little harder and be a little smarter, and try to be competitive where we have to be, whether it's rate or term or cover, or a mix. And by having clearly more appropriation, we could have more cover, for example.

Senator HEINZ. That, we understand.

But coming back to my question: Would you agree that we are—I didn't say we were going to lose all of the businesses—but don't you agree we're going to lose a lot of the businesses at 12.5 percent and 45 percent cover?

Mr. LORD. I would not want to take a position on that, Senator.

Senator HEINZ. Do you think we've lost any businesses?

Mr. LORD. I don't know how much we've lost, if any.

Senator HEINZ. I don't have the time to catalog it all, but we've lost 4,600 jobs in Pennsylvania during the last 3 weeks, because of noncompetitiveness. Multiply that by 20 times and you get an idea that we've lost perhaps 60,000 jobs in the last 3 weeks.

Pennsylvania has about 5 percent of the population of the United States. That's a rough, shoot-from-the-hip estimate. But I don't think we should be under any illusions about how much business we are losing. Do you really maintain that this new policy of the Eximbank isn't costing jobs, isn't costing business?

Do you really maintain that?

Mr. LORD. I don't maintain that.

Senator HEINZ. Then you agree that the policy is losing jobs, is losing businesses?

Mr. LORD. I think the real issue that I see, Senator, from the standpoint of not just the Bank but the much larger job that has been referred to here this morning—what we're trying to do in this country at the moment—everybody is getting hurt, as Senator Proxmire pointed out. There are people out there who are getting hurt because programs are being cut back, and that includes manufacturers and employers.

I think the administration is moving very quickly to do something about Federal spending levels in total—but it clearly has not begun to address the question of what the detailed priorities are over the next few years. You've got to get a handle on the total, and then begin to be more selective. And I think part of the job of the Board and management of the Export-Import Bank within the administration is:

No. 1, to do the kind of homework and research so that we can present a case that we can stand on intellectually, that's sound, and go to the OMB and the administration and say: "This is what we believe we need. This is what the Bank does. This is the job effect." I have not seen that kind of work recently done. I think that would be one of my first priorities at the Bank, to make sure we have that capability.

If there's one thing I learned during my couple of years at the Comptroller's office it is the benefit of good homework. When you come with a good case, you get a much better hearing within the councils of the Government than if you come in with some half-baked ideas. And I think we've got to do that kind of work at the Bank.

Senator HEINZ. I'm not going to ask any more questions. My time is up. But I will make one more comment.

The Budd Co. of Philadelphia recently lost a $400 million subway contract for Seoul, Korea. It was worth 3,600 manyears of work. The financing was simply uncompetitive with the British competitor—who actually won the contract with a credit offer 300 basis points lower than ours, and would have been $54 million more expensive to the Koreans to go with Budd. And I simply don't think it made any sense for the Bank to be so adamant in its refusal to extend what had been an expired preliminary commitment.

If we had had the original preliminary commitment extended, probably we would have kept, or gotten, those jobs. Now, we find out that the 7-year Treasury bill rate is coming down.

You know what probably will happen? In another month, probably the Bank will be in a position to renew—to do the equivalent of renewing such PC's. But because we had a stupid, shortsighted, short-term policy—the people were naive, shortsighted, weakwilled,

knockkneed, and just didn't have the guts to stand up and say: "Look, we have to wait this out, interest rates are going to come down." It makes no sense to sacrifice these jobs in these markets just for 2 or 3 months so that somebody can pretend that the Eximbank is doing something smart when, in fact, they're doing something stupid.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Heinz.

Let me follow up, because Senator Heinz and I, for a long time, have agreed on this subject, and I sometimes wonder if he and I are the ones that are wrong, because we do not seem to have a great deal of agreement or cooperation in dealing with the problem.

Statistics will show that Eximbank-supported projects in fiscal 1981 resulted in approximately 800,000 jobs. I hear hue and cry all the time, getting it from organized labor that again, we've got to go back to CETA programs, we've got to have job-creation programs—pure subsidy. I dealt with them as a mayor. I got rid of CETA. The last year I was mayor, I said: "Don't give them to me any more. I can't afford them." But pure, 100-percent subsidy dollars out of the Treasury, to create jobs.

Now every day, high interest rates are being replaced in the headlines with the increasing unemployment rates. We've got OMB down there, inadequately financing an organization that fortunately, over the years, has never had a deficit; but now we do. And that's too bad, and I wish it were different, but it isn't.

But the subsidies we're talking about—Eximbank and the job-creation potential—and everybody wants to cut it out. It doesn't make any sense to say we can't afford another few hundred million dollars in Exim, and then spend billions in job-creation programs in HHS or in HUD—make-work projects.

Is it Senator Heinz and I that are naive and don't understand the process? Or, even if we are subsidizing, isn't the mandate to be competitive—doesn't that produce more jobs at less cost than some of the other crazy schemes that we'll undoubtedly get back into again? We always seem to respond to that pressure.

The question is: Without those 800,000 jobs, how much would it cost Government to create those? Or if they didn't create them, how much unemployment benefits are generated from those lost jobs? How much are taxes going to go up in Pennsylvania, to take care of those unemployed because they didn't get the contract in Korea?

I have some studies that show that the ratio of return on Eximbank is anywhere from 9 to 1 to 33 to 1. I'll guarantee you that we're not getting that kind of return in other job-creation programs. I don't know what the return is to IRS. Gee, we finance IRS to go out and collect taxes. We've got a positive return from Eximbank.

I'm not asking for the moon, but I'm trying to prevent these cutbacks that OMB seems to be intent on. A little more generous financing for Eximbank would be an effective way of increasing some revenues for the Treasury and for putting people to work, protecting jobs in this country.

The general statement, general question is, then: What is your view of the general impact of Eximbank financing on the economy and on employment, in relationship to other programs?

Mr. Lord?

Mr. LORD. Well, I think fundamentally, Senator, I would share your view. One of the reasons, I guess, I've been a Republican all my life is because I believe the private sector does better than the public sector, in terms of efficient distribution of resources.

So, the jobs that are created by employers for productive work are better than jobs that are created by Government for subsidy purposes. And I think the impact of the Bank, through exports and contracts that are won with competitive financing of Eximbank, on job retention has been demonstrable. Increased employment—yes, perhaps, at the margin.

In an economy as large as this, historically manufacturing export trade has not been a terribly significant part of total economic activity. And as you know, it fluctuates with the business cycle, in terms of the emphasis paid by most companies. I think we've passed the turning point in the history of this Nation to where we are committed to being a trading country, and we're in competition now.

And I think we can do more with the Bank. And I, for one, within the council of the administration, would hope that we would be listened to. We will need the support, I think, of the Department of Commerce, the Special Trade Representative and the Treasury, because we're pretty small and we're not going to cut much ice as the Eximbank alone. But with support hopefully, of other agencies in the administration, we can make our case.

I understand we have the strong support of the Congress, which I appreciate. I think, going forward, that the debate is out in the open where it belongs, because I think there's a real national policy issue at stake here, in which the Bank plays a role.

The CHAIRMAN. Mr. Yonge let me continue and give you an opportunity to respond to the same general question.

Before I do, I have some studies that show the budget impact of a billion dollar decline in Eximbank loan program authorization and shows that we have impacts on the budget that are negative. And again, if you consider Eximbank in isolation, that's what I think is being done. We are saying: Here is Eximbank appropriating x number of dollars—for the first time in history, there's a subsidy. Gee, as a conservative Republican, I do not like to see deficits. But that's looking at it in isolation, and no one seems to be looking at what the expenditure of that money produces on the total budget. I wonder if Dave Stockman understands that.

I guess my question is, as Directors are you going to be advocates for this Bank, or are you going to surrender the way some of the others have? We don't hear a peep out of them. Senator Heinz and I feel kind of alone up here in saying, "Will you please not look at this in isolation?" Most of the programs in Government are strictly direct expenditures, and there is very little return for that. But here I think it is easy to demonstrate at the very least, if you discount some of these figures, at the very least there is certainly a break even if you look just beyond the Eximbank in a cocoon and look at the results in other revenue raisers to the general fund.

Mr. YONGE. Senator, I think I concur in what you are saying. As a businessman, I would not have sought this job, or accepted it if offered to me, if I thought that I was going to come up here and get involved in a negative sort of activity, just shuffling a bunch of papers around and not doing anything.

I think the Bank has a tremendous potential to be an integral part of our trade policy. I think there are lessons to be learned from our foreign competitors. They are committed to subsidizing their exporters as an alternative to high unemployment compensation programs and these other things that you spoke of. I think there is a lesson for us to learn.

I firmly believe—and coming from south Florida, I see it all the time that international trade has come of age in our country. We are no longer a self-sufficient nation that can sit back and just trade within our own boundaries. And I would specifically say to you that I will put together the best case as I know how to, to present to the administration, to show the Eximbank can be a vital part of our economic recovery, and should be. The problem we are having right now is one of interest rates, and history has shown us that those can fluctuate back and forth Hopefully, in 6 months they will be down enough, or, hopefully, at this time next year, anyway, they will be down where we are closer to loaning them at rates similar to those at which we are borrowing.

The CHAIRMAN. That is my main concern. Again, I say both of you are extremely well qualified for the position. I have no problems with either one of your nominations. As a matter of fact, I think the President has made as good a choice as he possibly could for these two positions. It's more of an attitude for several years at the Bank, and with both Administrations, that I disagree. I have no axe to grind.

Eximbank is not big in Utah, I will guarantee you. I may be able to find five or six constituents that know what it is. So I am really pure on this issue, I really am. Nobody is closing down BUD in Utah. It doesn't exist, or anything like that. I come at the issue very, very sincerely, and that is what I am interested in, you two going down there and being advocates for the Bank, advocates for U.S. trade, advocates for helping American business compete in a predatory financing market.

More than anything else, that is the commitment I would like out of both of you, because, as I say, individually you are both very well qualified. I have no questions whatsoever about your individual abilities to tackle the job, but I want a Bank that's down there fighting Dave Stockman a little bit. I don't think Dave shows much knowledge of Eximbank financing. I am not sure that he has had any practical experience in the business world. But in looking at this he is looking at numbers down there like an accountant with the old, green-eye shade on, and the black armbands that go up to his elbows, without any real world experience.

And I think that this is a case where an aggressive Eximbank can make some money for the Treasury—not lose it. So I assume I have your commitment to be advocates for the Bank and for a strong, activist export policy.

Mr. YONGE. Yes, sir.

Mr. LORD. [Nods approval.]

The CHAIRMAN. What in both of your opinions is the most effective and appropriate way to demonstrate to our trade competitors that we're serious about bringing and end to the predatory official export credit? Again, we talked earlier, in my opening statement, about getting the 10-percent agreement. Then we immediately go above it. What kind of ideas do you have for saying, "Hey, let's stop this crazy situation we're in?"

Mr. Lord, do you want to start?

Mr. LORD. I think, Senator, in answer to that question, in the immediate foreseeable future, for the next 12 months, given the condition of the Bank and given what's happening in the money markets, I think one can make a real impact on a selective basis, like hitting the mule over the head with a 2-by-4. If we get a case where to make the sale, we have to make a sea-change exception from policy in terms of cover, rate, term: We do that kind of thing and we really call attention to the fact that we mean business.

In other words, if we just shade it all back a little bit and try to cover the whole spectrum of competition, I don't think we will make an impact, but I think if we run into a case where we really get hit with something and hit back hard, then they're going to sit up and take notice that we are prepared to make exceptions. That's the kind of thing I would like to see us do, rather than dissipate our clout, and I would still like to continue to work in the OECD and in bilateral negotiations towards market rates. Ultimately that would be the goal, but recognizing that we don't control that, I would be prepared to advocate exceptions on a case-by-case basis that are significant exceptions, that really say we mean to fight if you want to take off the gloves.

The CHAIRMAN. Do you feel that when we agreed to the 10-percent, we immediately took away any credibility we had by going to 12½? You think they sat over there and said, "Well, big deal. They are not serious about this?"

Mr. LORD. I can't speculate what will be——

The CHAIRMAN. Well, what you have just described, it doesn't do a lot toward showing them we mean business.

Mr. LORD. I think what I would say, using a very hypothetical example at the 12-percent posted rate, if we get faced with somebody coming in at 7 or 8, and then we make a 400-basis-point concession to meet competition, that's more significant than shading 50 or 100.

That's the type of thing I would like. I don't think we're going to lose that much business at 12. It's not yet demonstrated that we have, to my knowledge. I haven't gone to the Bank and looked at it case by case, but the information I have is that the book is still open. Just how far off the mark we are at 12—it's not clear that we're far off the mark. It does give you an opportunity, No. 1, to keep the Bank on a sound footing, reasonably sound footing, and demostrate a willingness to meet that part of the conflict that exists even within the Congress, and at the same time, where necessary, to do something really significant in terms of being competitive on an exception basis. I think you get more attention that way.

The CHAIRMAN. Mr. Yonge?

Mr. YONGE. I believe strongly that we should continue very active negotiations with our competitors, and reviewing those negotiations of the past several years, apparently it's just that, just a lot of conversation that didn't really draw to any conclusion until this past spring. I think we should go back to them and say, "Hey, you know, we really mean this now," and have whatever tools that Congress feels we should have, or that we suggest to Congress that we would like, to go to those negotiations, where we can say we mean business.

Enough talk is enough talk. All the rhetoric has been said. It's time to say, "Let's fish or cut bait." Understanding, however, the approach that our competitors take—they have been at it a lot longer than we have, have concentrated on it a lot harder than we have, so I feel that even if we're successful in plugging that hole in the dike, they are going to come up with a new one, and we'd better be ready to face that one, too. So I think we need to negotiate, and negotiate tough.

The CHAIRMAN. I don't disagree with either one of you, but again, I don't think we have shown the tough face that you're talking about. I hope that there is a change. Just the signals that we send them—they don't have to be too bright or too experienced or have been involved very long to figure out if we are continually cutting back in these funds, in both direct loans and loan guarantees for the Eximbank, that we are not tough.

Again, no one understands the budget crunch better than I. I think we have got to assess the overall impact of what we do, and the negative trade imbalance is in the paper all the time, as well. I don't think we have had a very aggressive policy, and this goes beyond Eximbank. I don't think either this administration, or the previous ones, the ones that I have served in, have paid enough attention to aggressively attempting to increase exports. We certainly have ignored it as far as small businesses are concerned. Most small businesses—again, this is apart from any financing through Exim—simply don't even know how to go about foreign trade. So they ignore it, something they know nothing about.

And you're right, Europeans are much more sophisticated, and they work much harder at it. So I think our whole export policy—I am not sure we have one—but it ought to be a great deal more aggressive in all facets than it has been.

Gentlemen, Senator Heinz and Senator Proxmire have apparently asked all their questions today. There are other Senators that I believe would like to ask you some questions for the record. I may have some additional written questions as well.

Before we close the hearing, do you have any additional comments either one of you would like to make?

Mr. LORD. Personally, I would like to express my appreciation to you, Mr. Chairman, for fitting this hearing in, as you are near the end of your session here.

The CHAIRMAN. We hope it ends.

Mr. YONGE. I would just like to say thank you. I appreciate the opportunity to be here and answer your questions. Believe me, I will try to be a bottom-line Government employee, as I am a bottom-line businessman.

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The CHAIRMAN. Well, what I want you both to do is not really to become Government employees; I want you to maintain your thoughts and your experiences as men from the private sector.

That's what happens to too many people: They come in with great free enterprise in all their background and experience, and in 6 months they have been co-opted by the bureaucracy. They become one of them. So don't let that happen to you.

But in any event, the nature of our questions, particularly Senator Heinz and mine, are certainly not antagonistic to either one of you. You both are very well qualified. The President has made extremely good choices. I simply want to sensitize you to my feelings, and that of a large number of members of this committee, of the need for an aggressive export policy.

Thank you very much. The hearing is adjourned.

[Whereupon, at 10:15 a.m., the hearing was adjourned.]

[Response to written questions from Senator Heinz and biographical material on the nominees follow:]

ADDITIONAL QUESTIONS FROM SENATOR HEINZ

Mr. Lord's Answers

1. Senator Heinz: To your knowledge, does OMB have a different perspective from Congress concerning Exim?

   Mr. Lord: Inasmuch as both the House and the Senate, in the initial appropriations bills that I have seen, put in larger amounts both for direct lending and for guarantee programs than the Administration/OMB revised amount, it is clear that there is a difference of opinion and that the OMB is primarily concerned about the total amount of government agency borrowing and its effect both on the budget and on the capital markets.

2. Senator Heinz: To whose voice ought Exim to listen if there is a disagreement between Congress and OMB?

   Mr. Lord: It seems to me that the process within the Administration is for Eximbank to make its case to OMB for what Eximbank believes is the appropriate level of both direct loan authority and guarantee authority. Clearly OMB's responsibility is for the total budget. When the negotiations within the Administration are over, there will be a final OMB recommendation to the President. The President's budget is forwarded to Congress. If the Congress decides to appropriate more (or less) for the Bank than the President's request, and that is voted in the final appropriations bill and not vetoed, then clearly it seems to me the Eximbank must follow the mandate of Congress and make every effort to use the funds that Congress has provided for the furtherance of U. S. export sales.

3. Senator Heinz: How do the Bank's current interest rates tie in with the Administration's warnings to the Europeans about its deep pockets?

   Mr. Lord: The question seems to suggest that the current Eximbank lending rate is essentially non-competitive, whereas early in the year Deputy Secretary McNamar stated publicly that if there were going to be a credit subsidy war, our competition would discover that the U. S. had deep pockets. The Eximbank took the lead during the summer in raising its rate unilaterally to 10-3/4 percent anticipating that OECD members could be encouraged at the October OECD meetings to raise their rates. At the October meetings Eximbank prevailed upon the OECD members to follow its lead and raise rates to a range at or near 10-3/4 percent. The same intent applies to Eximbank's subsequent action in raising its rate to 12 percent. The Eximbank action on interest rates does not in and of itself affect the Bank's ability to be competitive in particular situations which is what I believe the Treasury implied when they referred to "deep pockets."

4. Senator Heinz: What sort of signals do you think we are sending to the Europeans with regard to the next round of OECD negotiations over export credit rates scheduled for next March?

Mr. Lord: As I indicated in my answer to the previous question, I believe that the signal we are sending to the OECD nations now is the same as the signal we sent last summer, namely, that we believe it is in the best interests of all parties to eliminate subsidy from export credit and to lend at market rates.

5. Senator Heinz: Could it not be argued that the decreased credit limits which OMB has recommended for the Bank are precisely the opposite of what we ought to be doing right now? Our trade competitors within the OECD show no signs of slackening their credit support for their industries. Yet, they can read in the Washington Post that Exim is in disfavor and readily see our decrease in credit support.

Mr. Lord: I understand the OMB-recommended levels for export lending and guarantee authority for fiscal 1982 were developed by the Administration during a period when the Bank first did not have a Chairman in place and subsequently was operating with a two-member Board. Accordingly, I believe that the levels recommended by the Administration do not fully reflect the views Eximbank would have presented had it had an opportunity to develop its case. Certainly with a recession on the horizon and mounting unemployment, it would appear that programs that maintain employment levels by supporting U. S. export business activity would seem to be in the national interest.

6. Senator Heinz: Does "price leadership" make any sense within the context of international negotiations? Does "price leadership" make us look tough or foolish?

Mr. Lord: This is the kind of issue on which honest men can honestly differ. I believe that in the long run the interest of the U. S. in the international trading and international credit arena are best served by our taking a position of leadership, although it can be argued that such a position might at times appear to be counter-productive in the short run.

7. Senator Heinz: Could it not be argued that the 45 percent cover and 12.5 percent interest rates the Bank is now offering is a form of back door escape for the Bank, to allow it to use less of its direct credit authorization by causing it to lose contracts by being uncompetitive?

Mr. Lord: I understand the argument, but I do not believe we have yet had enough experience with the current policies to suggest it's time to make a change. Given the limited financing authority available to the Bank this year, it seems only prudent to husband those resources--and accordingly adopt a policy of reduced cover--until we get a clearer picture as the year develops of total demand from the exporting community. As far as the 12 percent rate is concerned, I do not believe it was instituted as a means of making Eximbank less competitive, but rather, it was a prudent move in the light of market rates. However, when interest rates are so volatile, I also believe that the Bank should review its rates quarterly on the basis of current experience.

8. Senator Heinz: If you admit that the Bank is not very competitive at its current interest rates, do you intend to make that point vigorously with OMB?

   Mr. Lord: I really do not believe that I am able to make a fair appraisal regarding the Bank's competitiveness at its present interest rate until I have had an opportunity to become fully involved at the Bank and become more familiar with the financing programs of its foreign competitors. If I then conclude the Bank's financing programs are not competitive because of the interest rate, it seems to me that it is the responsibility of the Board then to develop a policy that meets both the competitive mandate embodied in the statute by Congress, and also addresses the prospect that direct taxpayer appropriations may be necessary should the Bank use up its surplus in the process.

9. Senator Heinz: Last year, by Exim's own estimates, the Bank supported 734,000 jobs in 45 of the 50 states of the Union, 21,310 in Pennsylvania alone. What effect on jobs do you think reduced Eximbank competitiveness and support will have on employment nationwide?

   Mr. Lord: If the Bank becomes non-competitive because of reduced lending and guarantee authority, or because of its desire to minimize its operating losses, (or because of a combination of these factors) and this causes U. S. manufacturers to lose substantial export sales, then clearly the Bank's non-competitiveness could have a significant effect on unemployment in the U. S. Therefore, it will be important to carefully monitor any effects of reduced Eximbank competitiveness on U. S. exporters.

10. Senator Heinz: The Treasury borrowed at a 12.8 percent rate $777 million worth of seven-year notes on December 1. That puts the spread at only .3 percent above the Bank's current lending rate of 12.5 percent. It can reasonably be assumed that the next Treasury borrowing will be below the Bank's lending rate. How far do interest rates have to drop before the Bank lowers the rate it charges to its customers?

    Mr. Lord: In every year but one since 1967, the Bank borrowing rate has exceeded its lending rate, but because the Bank enjoys the use of its equity and reserves, until this year its total cost of money has been less than the interest earned on loans outstanding. As market rates begin once again to come down, it is likely that Exim's total cost of funds could again go below the income earned. Certainly such an eventuality would suggest that a reduction in lending rates would be appropriate, so long as the spread remains substantially even, i.e., not negative. Accordingly, I believe that it is appropriate for the Bank to review its rates on a quarterly basis in the light of market conditions at each time of borrowing.

11. & 12. Senator Heinz: When do you predict that Exim's rates will go down or cover will go up? Under what circumstances are you prepared to support lowering Exim's rate?

Mr. Lord: It is important for the Bank to have as an objective, over time, the maintenance of a sound financial condition, which of course means it cannot for a long period sustain substantial operating losses. As I indicated in my response to the previous question, the Bank should regularly review both its funding costs and lending rates on a marginal and on a blended basis in order to maintain, as near as possible, an even keel operating result in both the short and long run. For short periods of time, it may be necessary for the Bank to operate at a negative spread in order to meet competitive conditions. However, I do not think it prudent to do so over an extended period. Furthermore, the Bank must continue to be much more selective. It must analyze each case more carefully to determine the true competitive situation in order to minimize the adverse affect of negative spreads, even in the short run.

13. Senator Heinz: Under what circumstances would you support extending preliminary commitments at their old rate?

Mr. Lord: I believe a policy of renewing preliminary commitments at current rates is both necessary and appropriate, particularly in an environment of volatile interest rates. The enforcement of this policy would be impossible if the Bank were to begin to make exceptions; all borrowers would argue they were entitled to special treatment. In most cases with which I am familiar, this policy has not resulted in loss of sales. However, I understand that there may be come cases where the preliminary data would suggest otherwise. Consequently, it will be important to watch this situation carefully to determine from sufficient data whether the policy should be modified.

ADDITIONAL QUESTIONS FROM SENATOR HEINZ

Mr. Yonge's Answers

1. Senator Heinz: To your knowledge, does OMB have a different perspective from Congress concerning Exim?

   Mr. Yonge: From what I read and understand, OMB has long sought to restrict the Exim's lending authority as a part of the overall budget cutting programs of this and previous administrations. Congress seeks larger authorizations for reasons previously stated at the confirmation hearing.

2. Senator Heinz: To whose voice ought Exim to listen if there is a disagreement between Congress and OMB?

   Mr. Yonge: Obviously, the dictates of Congress are the law and are to be followed. However, the Executive Branch of Government also has its rules and regulations (adopted pursuant to legislative authority) and these rules and regulations cannot be ignored. If Congress decides to change these procedures, it, of course, may do so.

3. Senator Heinz: How do the Bank's current interest rates tie in with the Administration's warnings to the Europeans about its deep pockets?

   Mr. Yonge: The current interest rates are in the context of competition no more than an indication to the world that the Bank is serious in its efforts to eliminate subsidies by lending at a rate close to the market rate.

   This answer does not address itself to other reasons for the 12 percent rate.

4. Senator Heinz: What sort of signals do you think we are sending to the Europeans with regard to the next round of OECD negotiations over export credit rates scheduled for next March?

   Mr. Yonge: As stated in Answer 3 above, the signal intended is that of saying we have all suffered losses with the artificially-imposed low rates. Now it is time for someone to step forward and say let's stop this senseless pricing war and put our rates at or near the market. Of course, this signal may be seen as one of unilateral disarmament.

5. Senator Heinz: Could it not be argued that the decreased credit limits which OMB has recommended for the Bank are precisely the opposite of what we ought to be doing right now? Our trade competitors within the OECD show no signs of slackening their credit support for their industries. Yet, they can read in the Washington Post that Exim is in disfavor and readily see our decrease in credit support.

   Mr. Yonge: Yes, it can be so argued. Our trading competitors have long been active and sophiscated in foreign trade. These same countries use every device available and any they may create to support their exports. It is virtually the lifeblood of their economy. The U. S. is just beginning to find foreign trade such a vital part of its economic plan. We must with all convenient speed formulate a comprehensive plan and implement the same. At present we have no such coordinated effort and each segment of government involved seems to be going in its own direction.

6. Senator Heinz: Does "price leadership" make any sense within the context of international negotiations? Does "price leadership" make us look tough or foolish?

   Mr. Yonge: As stated above in answers 4 and 5, "price leadership" is merely one of several approaches that can be taken on the subject of the International Agreement. The current rate is not solely for "price leadership," but relates to prudent utilization of the Bank's available funds and the efforts to keep losses at a minimum.

   Obviously, the "price leadership" concept is not the tough line but that does not necessarily make the theory "foolish."

7. Senator Heinz: Could it not be argued that the 45 percent cover and 12.5 percent interest rates the Bank is now offering is a form of back door escape for the Bank, to allow it to use less of its direct credit authorization by causing it to lose contracts by being uncompetitive?

   Mr. Yonge: Yes, it could be so argued. However, in the area of competitiveness, it is very important that each case be examined closely to determine whether or not the transactions would go forward without Eximbank direct financing. We must, with the limited funds available, make certain that each direct credit does in fact make an otherwise uncompetitive deal competitive. The Bank has the power and authority to change rates and cover to get the job done. These current figures are not cast in stone.

8. Senator Heinz: If you admit that the Bank is not very competitive at its current interest rates, do you intend to make that point vigorously with OMB?

   Mr. Yonge: Yes. The most critical responsibility that I face as a Director of the Bank will be to put together the best case possible to clearly show that a strong Bank is in the vital interest of our country. And by this I mean a Bank that can compete on a case-by-case basis and one that will vigorously negotiate an adjustment in the interest rate to a market rate.

The increasing of U. S. exports means a healthy economy, more jobs, and more taxes flowing to the Treasury. The Bank should be part of that process and its first step is to be strong enough to be competitive.

The cyclical swings in interest rates are beyond the Bank's control, but as they swing the Bank can respond quickly to maintain our competitive edge. Hopefully our trading competitors will agree.

9. Senator Heinz: Last year, by Exim's own estimates, the Bank supported 734,000 jobs in 45 of the 50 states of the Union, 21,310 in Pennsylvania alone. What effect on jobs do you think reduced Eximbank competitiveness and support will have on employment nationwide?

Mr. Yonge: There is no question that the loan, guarantee and insurance programs of the Bank support a large number of jobs. From all of the information I have received the Bank is extremely competitive in the insurance and guarantee area. These two programs comprise the vast majority of the Bank's annual authorizations. The high visibility direct credit area has been less competitive but probably not as bad as you may perceive. It is my view that reduced competitiveness in the direct credit area could cause some adverse effect on employment. The exact nature of this effect will depend on the degree of uncompetitiveness. I cannot give you an exact number.

10. Senator Heinz: The Treasury borrowed at a 12.8 percent rate $777 million worth of seven-year notes on December 1. That puts the spread at only .3 percent above the Bank's current lending rate of 12.5 percent. It can reasonably be assumed that the next Treasury borrowing will be below the Bank's lending rate. How far do interest rates have to drop before the Bank lowers the rate it charges to its customers?

Mr. Yonge: Let me begin by addressing the 12.5 percent interest figure. The Bank's rate is 12 percent per annum plus a one-time two percent application fee. This up front fee is not uncommon and in fact I am advised that all of our trading partners use some sort of fee as part of their overall rate structure.

Now to your question, I think the Bank Board should at the first meeting at which I am a member (if that comes to pass) review our interest rate structure. This review should cover the entire spectrum of rates not just in the direct loan program. In other words, rates are coming down and we should be ready to reduce our rates. I believe this philosophy is in keeping with the "price leadership" concept.

11. & 12. Senator Heinz: When do you predict that Exim's rates will go down or cover will go up? Under what circumstances are you prepared to support lowering Exim's rate?

Mr. Yonge: Rates should follow the market rates. If after the March 1982 negotiations on the International Agreement, there is no success in moving rates to a market level, I believe we should adopt a policy to reduce rates and raise cover to meet valid foreign competition. This policy contemplates a case-by-case approach with careful attention to making sure the case requires Exim credit to be competitive.

13. Senator Heinz: Under what circumstances would you support extending preliminary commitments at their old rate?

Mr. Yonge: The Preliminary Commitment concept is a necessity to permit an exporter to line up his financing before submitting a bid. This P.C. gives the exporter assurance as to the cost of financing. Obviously the prudent operation of the Bank would not use open-ended PC's. Thus an expiration date of six months is used. (This time period is not magic and could be longer or shorter.†

The problem, which is somewhat unique in the commercial world, is that the exporter has little or not control on when he will receive a firm order. The buyer, whether it be a foreign country or a private foreign entity, controls the timing. Thus the Bank should remain as flexible as possible in extending or renewing P.C.'s at the original rate to accommodate our exporters. This flexibility cannot be exercised in a vacuum but must be a part of sound business judgment so as to protect the assets of the Bank.

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: LORD (LAST) CHARLES (FIRST) EDWIN (OTHER)

Position to which nominated: Vice Chairman-First Vice President Export-Import Bank of the U.S. Date of nomination: August 28, 1981

Date of birth: 26 (DAY) April (MONTH) 1928 (YEAR) Place of birth: New York, New York

Marital status: Married Full name of spouse: Margaret Plunkett Lord

Name and ages of children: Catherine Lord Brown - 30 William Plunkett Lord - 23
Sarah Lord - 28
Charles Edwin Lord, Jr. - 26

Education:

Institution	Dates attended	Degrees received	Dates of degrees
Yale University	1945-1949	B.A.	1949
Hotchkiss School	1941-1945	Diploma Cum Laude	1945

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

Yale University, Master of Arts Honorary - 1976

Greater Hartford Junior Chamber of Commerce, Outstanding Young Man of the Year Award - 1963

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
See ATTACHMENT 1		

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

Dec. 1949-Aug. 1951 - Assistant National Bank Examiner, Office of the Comptroller of the Currency - Upper New York State

Oct. 1951-Jan. 1976 - Hartford National Bank and Trust Company, Hartford, CT ; Assistant Cashier, 1955; Assistant Vice President, 1957; Vice President, 1962; Senior Vice President, 1966; President and Director, 1967; Chief Executive Officer, 1972.

Hartford National Corporation - President & Director, 1969; Vice Chairman, 1972; Chief Executive Officer & Chairman of the Board, 1975.

Apr. 1976-Mar. 1979 - Director of Institutional Relations & Alumni Programs (Corporation Officer), Yale University, New Haven, CT.

Mar. 1979 - Senior Advisor to the Comptroller of the Currency; First Deputy Comptroller, April 1981; Acting Comptroller of the Currency, May 1981.

ATTACHMENT 1

MEMBERSHIPS

BUSINESS ORGANIZATIONS

1969-1977	Aetna Life & Casualty Co., Hartford, CT - Director
1968-1976	Allied Bank International, New York, NY - Chairman of the Board
	Amtel, Inc., Providence, RI - Director
	Andersen Laboratories, Inc., Bloomfield, CT - Director
	Dunbar Transfer Co., Newington, CT - Director
	Fenn Manufacturing Co., Newington, CT - Director
	Gray Manufacturing Co., Hartford, CT - Director
1971-1975	HNC Mortgage & Realty Investors, Westport, CT - Trustee
1969-1976	Hartford National Corporation, Hartford, CT - President, Vice Chairman, Chairman of the Board, Chief Executive Officer, Director
1951-1976	Hartford National Bank & Trust Co., Hartford, CT - Assistant Cashier, Assistant Vice President, Vice President, Senior Vice President, President, Chief Executive Officer, Director
	Hi-G, Inc., Windsor Locks, CT - Director
1970-1976	INSILCO Corporation, Bloomfield, CT - Director
1968-1976	Kaman Corporation, Bloomfield, CT - Director
	LaPointe Industries, Inc., Rockville, CT - Director
1975-1976	North American Philips Corporation, New York, NY - Director
1970-1976	Private Export Funding Corporation, New York, NY - Director
	Rowland Products Inc., Kensington, CT - Director

PROFESSIONAL ORGANIZATIONS

1974-1975	Association of Reserve City Bankers - Member
1966-1974	Bankers Association for Foreign Trade - Member, Director
1969-	Council on Foreign Relations, New York, NY - Member
1968-1976	Young Presidents Organization - Member

EDUCATIONAL INSTITUTIONS

1968-1974	A Better Chance, Inc., Boston, MA - Trustee
1968-1972	Hartford Graduate Center, Hartford, CT - Trustee
1972-	Project Orbis, Inc., New York, NY - President, Director
1972-1976	Vertical Flight Foundation, New York, NY - Trustee
1976-1979	Yale University, New Haven, CT - Corporation Officer

CIVIC & CHARITABLE ORGANIZATIONS

1972-1976	Connecticut Public Expenditure Council - Treasurer
1970-	Ducks Unlimited, Inc., Chicago, ILL - National Trustee, Trustee Emeritus
1971-1975	Greater Hartford Arts Council, Hartford, CT - Vice President, Director
1971-1975	Greater Hartford Chamber of Commerce - Director
1969-1972	Greater Hartford Corporation, Hartford, CT - Director
1963-1972	Hartford Stage Company, Hartford, CT - Vice President, Director
1977-1978	Mayor's Cultural Affairs Study Committee, New Haven, CT - Chairman
1972-1975	National Alliance of Businessmen, Wash., DC - Chairman, Hartford Area
1953-1965	Simsbury Light Opera Co., Simsbury, CT - Member, President, Director
1960-1974	Symphony Society of Greater Hartford, Hartford, CT - Assistant Treasurer, Treasurer, Vice President, President, Chairman of Board, Director
1969-1971	Urban Coalition of Greater Hartford, Hartford, CT - President

FRATERNAL ORGANIZATIONS

1958-1976	Hartford Club, Hartford, CT - Member, Director
1955-1976	Hartford Golf Club, Hartford, CT - Member
1969-	Links Club, New York, NY - Member
1976-	Stratton Mountain Country Club, Stratton, VT - Member
1952-1958	University Club, Hartford, CT - Member

Government experience: List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part-time service or positions.

Elected Member, Board of Finance, Town of Simsbury, CT - 1961-1965.

Public Member (Appointed by Governor Thomas Meskill), Connecticut Development Authority, 1972-1976.

Office of the Comptroller of the Currency (See above).

U.S. Department of Commerce, Connecticut Regional Export Expansion Council - Chairman, 1969-1971.

Published writings: List the titles, publishers and dates of books, articles, reports or other published materials you have written.

NONE

Political affiliations and activities: List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

Member, Republican National Finance Committee, 1970-1975

Member, Connecticut Republican Finance Committee, 1970-1975

Member, Connecticut Republican Budget & Control Committee, 1970-1975

Political contributions: Itemize all political contributions of $500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify the specific amounts, dates, and names of the recipients.

NONE over $500

Qualifications: State fully your qualifications to serve in the position to which you have been named. (attach sheet)

See ATTACHMENT 2

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

NOT APPLICABLE

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

No such plans.

3. Has anybody made you a commitment to a job after you leave government?

NO

4. Do you expect to serve the full term for which you have been appointed?

YES

Attachment 2

QUALIFICATIONS

For almost 25 years, from October, 1951 until January, 1976, I was employed at Hartford National Bank and Trust Company, serving in various capacities starting as a trainee and rising through successive offices and positions to become President in 1967 and Chief Executive Officer in 1972. During this period, the bank grew from a local institution with total assets of approximately $200 million and five offices to a statewide institution with over 65 branches and total resources approximating $2 billion. Hartford National was the largest bank in the State of Connecticut and the second largest in New England.

My career at the bank was primarily in the credit and commercial loan area, although I did have major branch administration responsibilities before moving up into general management. By the 1970s, the bank had a legal lending limit in excess of $10 million to any one customer and as a loan officer I had responsibility for a number of multi-million dollar credits.

Of particular significance, I believe, is the fact that in 1962 I was given the green light by senior management to organize the first international banking department of any bank in the history of the State of Connecticut. The principal thrust of the department in its early years was the development of export financing for small and medium-sized Connecticut businesses who otherwise would have had to turn to the Boston or New York money center banks for their international financing needs. We worked closely with the Export-Import Bank and the Foreign Credit Insurance Association in the various commercial bank programs developed by those agencies. In addition, I was personally active in various export promotion organizations, including the Connecticut Regional Export Expansion Council of the Department of Commerce and the Bankers Association for Foreign Trade where I was a member of the Board of Directors. In that capacity, I served on the committee of the BAFT that was responsible for founding Private Export Funding Corporation (PEFCO) and was serving a second term as a director of that organization when I left Hartford National. I believe, therefore, that I have a wide background of first hand experience in export financing and the workings of Eximbank and PEFCO.

Beyond this type of activity, the international department of Hartford National, as it grew more sophisticated and profitable and gained the confidence of the Board of Directors and senior management, developed direct lending expertise in a number of countries through the recruitment and training of a traveling staff of lending officers. The bank also participated in Eurodollar syndicate credits, developed either through Allied Bank International, in which we were one of 18 founding shareholders in this unique Edge Act consortium bank, or through its London representative office. By 1974, the international department held approximately 15% of the bank's total outstanding loans (over $120 million), contributed better than 15% to net profit before taxes and had experienced total loan losses of under $100 thousand. I remained involved with the bank's major international banking efforts, even after leaving the department and moving up into senior management.

Allied Bank International, referred to above, is a consortium Edge Act Corporation, originally founded by 18 regional banks, each having an equal shareholding. I served as the initial chairman of the board and stayed in that capacity until my retirement from Hartford National. The initial capital of Allied was $36 million. During my involvement with Allied, the bank opened branch offices in London and Nassau (Bahamas) and a representative office in Hong Kong.

In addition to my commercial banking experience in the private sector, I have for the past two and one half years served in the Office of the Comptroller of the Currency, initially as Senior Advisor to the Comptroller and then as First Deputy Comptroller since April of this year, a position which automatically made me Acting Comptroller of the Currency, upon the resignation of the incumbent in May 1981. Both as Senior Advisor where my principal responsibilities included liaison between the Office and banks all over the country and since becoming First Deputy, I have had the opportunity to broaden my knowledge of money center banking and international banking activities in particular as well as maintaining contact with the regional banks and many community banks across the country. This experience, I believe, should be a big help to me at the Export-Import Bank, since I think it is important for the Bank to continue to ex and its commercial bank guarantee program and other activities so as to involve more small and medium size companies throughout the country in the business of exporting. This can best be done through the commercial banking system where the incentive to develop profitable new lending business is greatest and where the Export-Import Bank can provide guarantee cover to minimize risk.

I also believe that my long experience in commercial bank management will be of great value in the position of Vice Chairman-First Vice President of the Export-Import Bank, which has historically been analogous to the Chief Operating Officer role in the private sector. I believe I can bring to the management of the bank a good background of managerial and banking experience that also will be beneficial at the Board of Director level in determining financial and credit policy.

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

Contract dated Dec. 29, 1975, with Hartford National Corporation/ Hartford National Bank & Trust Co. provides for supplemental income payments according to contractual formula, supplemental pension payments upon retirement (after age 65), and certain life & health insurance coverage. I also retain vested interest in Hartford National Bank/Hartford National Corp. employee pension plan.

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

NONE

3. Describe any business relationship, dealing or financial transaction (other than tax-paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

NONE

4. List any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

NONE

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

In the case of transactions involving Hartford National Bank & Trust Co., I would recuse myself from participation and voting.

Civil, criminal and investigatory actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

As a former Trustee of HNC Mortgage & Realty Investors (a real estate investment trust), I was a defendant in three class action suits which were consolidated for pretrial purposes in the U.S. District Court for the District of Connecticut. A settlement agreement between plaintiffs and defendants was executed on September 10, 1981, and approved by the Court on the same date.
Also see ATTACHMENT 3.

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

NONE

ATTACHMENT 3

Index Of Active Cases In Which
Comptroller Named As Party Defendant

1. Allaire State Bank v. OCC/N.J. Nat'l Bank
(D. N.J., Civil Action No. 80-1187)

2. American Fidelity Bank & Trust Co. v. Heimann
(E.D. Ky., Civil Action No. 80-71)

3. E. David Auer v. Comptroller of the Currency, et al.
(E.D. Mich., Civil Action No. 81-72223)

4. Bank of North Texas v. Heimann
(N.D. Texas, Civil Action No. CA-4-80 49K)

5. Central Nat'l Bank v. Lord
(W.D. Okla., Civil Action No. CIV-81-1208 T)

6. Charlevoix County State Bank v. Lord, et al.
(W.D. Mich., No. G81-0698 CA7)

*7. Citizens Nat'l Bank of Follansbee, et al. v. Lord,
et al. (N.D. W.Va., Civil No. 81-0021-W(H))

8. Commercial Bank v. Heimann & First Nat'l Bank of East
Chicago, Ind. (N.D. Ind., Civil No. H-79-440)

9. Conference of State Bank Supervisors, et al. v. Heimann
(D.D.C., Civil Action No. 80-3284)

10. Conference of State Bank Supervisors v. Lord, et al.
(D.D.C., Civil No. 81-159)

11. F.N.B. of Deer River v. OCC
(D. Minn., Civil Action No. 5-80-132)

12. F.N.B. of South Charleston v. Heimann, et al.
(S.D. W.Va., Civil Action No. 81-2153)

13. F.N.B. & Trust Co. of Okmulgee v. State Banking
Comm'n., Heimann, et al. (D. Okla., Civil Action No.
78-296-C)

14. Edwin F. Gordon v. Heimann, et al.
(N.D. Ga., Civil Action No. C80-1265A)

15. Edwin F. Gordon v. Heimann, et al.
(N.D. Ga., Civil Action No. C-80-1244A)

16. Edwin F. Gordon v. Heimann, et al.
(N.D. Ga., Civil Action No. C81-288A)

17. Edwin F. Gordon v. Heimann, et al.
(C.A. 5, No. 81-7277)

18. Tirso del Junco, et al. v. Lord, et al.
(Los Angeles Nat'l Bank) (C.A.9. No. 81-7466)

19 Maplewood State Bank v. OCC, et al.
(D. Minn., Civil Action No. 3-80-440)

20. Martin-Trigona v. OCC, Citicorp (S.D. N.Y.,
Civil No. 80 Civ. 4140)

*21. Nat'l Bank of Davis v. Lord, et al.
(N.D. W.Va., Civil Action No. 81-0153-E(H)

22. First Huntington Nat'l Bank v. Heimann, et al.
(S.D. W.Va., Civil Action No. 80-3116)

23. Northwestern Nat'l Bank of Minneapolis v. Heimann
(D. Minn., Civil No. 4-78-533)

24. Option Advisory Service, Inc. v. F.R.B., Heimann
& Citicorp (C.A. 2, No. 81-4023)

25. People of the State of Illinois v. Lord, et al.
(N.D. Ill., Civil Action No. 81-C-4642)

26. Public Interest Bounty Hunters v. F.R.B., Fed. Reserve
Bank of Atlanta, Heimann & Robert Herrmann (N.D. Ga.,
Civil Action No. C81-1184A)

27. Elaine Prignano v. Heimann, et al. (N.D. Ill., Civil
Action No. 80 C 1417)

28. Ridgedale State Bank of Minnetonka, Minn. v. OCC
(D. Minn., Civil Action No. 4-80-387) and Nat'l City
Bank of Ridgedale v. Heimann (D. Minn. CA No. 4-80-395)
consolidated

29. Louis J. Roussel v. OCC & F.R.B. (D.D.C., Civil Action
No. 80-1079)

30. Water & Giles v. OCC, et al.
(D. Colo., Civil No. 80-232)

*31. FNB of Scotia, et al. v. Lord
(D.D.C. Civil Action No. 81-1905)

32. FNB of Scotia, et al. v. Comptroller of the Currency
(D.C. Cir. No. 81-1846)

33. FNB of Bellaire v. Comptroller
(5th Cir. No. 81-4221)

34. FNB in Souix Falls v. OCC, et al.
(8th Cir. No. 79-4057)

35. FNB of Baldwin Cty. v. OCC, et al.
(S.D. Ala., Civil No. 80-0320-P)

36. ADAPSO v. Comptroller & Citibank
(S.D. N.Y. CA #77-Civ-2574 (KTD))

* Named in individual as well as official capacity

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: YONGE (LAST) JAMES (FIRST) ERNEST (OTHER)

Position to which nominated: Director - Export-Import Bank Date of nomination: September 21, 1981

Date of birth: 12-01-32 (DAY) (MONTH) (YEAR) Place of birth: Miami, Florida

Marital status: Single Full name of spouse:

Name and ages of children: Karen Y.Hall -25 Elizabeth A.Yonge -20
Margaret E.Yonge -23 John S.Yonge - 16
James E.Yonge,Jr.-21

Education:

Institution	Dates attended	Degrees received	Dates of degrees
Hill School	1948-50	Diploma	1950
Stetson University	1950-54	B.S. Business Admin.	1954
University of Florida	1954-57	LLB	1957

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

Athletic scholarship - Stetson University

Omicron Delta Kappa Leadership Fraternity - Stetson University

Who's Who - American Colleges and Universities - Stetson University

Memberships: List all memberships and offices held in professional, business, fraternal, scholastic, civic, or athletic and other organizations.

Organization	Office held (if any)	Dates
(See attached schedule A)		

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

Feb. '79 - Present	North Ridge Bank	5100 N.Dixie Hwy. Ft.Lauderdale,FL	Chairman of the Board
Mar. '78 - Present	Q-Masters,Inc.	1627 NW 39th Avenue Lauderhill, FL	V.President & Secretary
Feb. '78 - Present	Yonge & Halpern,Esq. James E. Yonge	5100 N.Dixie Hwy. Ft.Lauderdale,FL	General Law
Feb. '58 - Feb. '78	Scruby, Yonge & Cobb, P.A.	P.O. Box 1000 Orange Park, FL	General Law
Feb. '66 - Present	Freedom Savings & Loan Association	U.S. Hwy. #17 Orange Park,FL	Director
Jan. '75 - Present	Clay Title & Abstract Co.	P.O. Box 1000 Orange Park,FL	President & Director
Jan. '57 - Feb. '58	R.D. Maxwell, Jr.	Dupont Bldg. Miami, FL	General Law

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SCHEDULE A

Organization	Office Held	Date
Corporations for profit		
North Ridge Bank	Chairman of the Board	1978 to present
Q-Masters,Inc.	Director & Secretary	1978 to present
Clay Title & Abstract Co.	Director & President	1975 to present
Batik,Inc.	Director	1975 to present
Park West,Inc.	Director & Officer	1975 to present
Tri-Dev,Inc.	Director	1979 to present
Thor Properties,Inc.	Director & Officer	1976 to present
Compton Enterprises,Inc.	Director	1960 to present
Florida Gulf Development Corp	Director & President	1961 to present
East Bon West Real Estate,Inc.	Director & President	1981 to 1981
Crown Point,Inc.	Director	1965 to present
BBQ-Corporation	Director	1978 to present
Life Care Management,Inc.	Director & President	1978 to present
Park Place,N.V.		1975 to 1976
Greenwood,Inc.	Director	1970 to 1975
Exi,Inc.	Director & V.President	1978 to present
James E.Yonge,P.A.	Director & Officer	1979 to present
Scruby & Lee Chartered (formerly Scruby,Lee,Cobb & Waite,P.A.	Director & Officer	1975 to 1978
formerly Scruby,Yonge & Cobb,P.A.)	Member of Counsel	1975 to present
Freedom Savings & Loan Association	Member Regional Advisory Board	1976 to present
(formerly 1st.Federal Savings & Loan Assn.of Clay County.)	Director & Chairman of the Board	1966 to 1976
Tiaho,Inc.	Director	1960 to 1965
Trans-Oceanic,Inc.	Director	in-active
General Partnerships		
Yonge & Halpern	Partner	1979 to present
Scruby, Yonge & Cobb (formerly Scruby & Yonge)	Partner	1958 to 1978
Tiki Apartments	Partner	1967 to 1979
The 3 J's Partnership	Partner	1979 to present
Snyder, Scruby & Yonge	Partner	1978 to present
Middleburg Partnership	Partner	1976 to present

Organization	Office Held	Date
Limited Partnerships		
Battery Bluff Partnership, Ltd.	General Partner	1975 to present
Chasing Rainbows,Inc.	Limited Partner	1980 to present
Ravines Partnership,Ltd.	Limited Partner	1973 to present
Greenwood Partnership,Ltd.	Limited Partner	1972 to 1974
High Hammock Partnership,Ltd.	Limited Partner	1970 to present
Tara Farms Partnership,Ltd.	Limited Partner	1968 to present
Rideout Landing Partnership,Ltd.	Limited Partner	1972 to 1977
301 Partnership,Ltd.	Limited Partner	1960 to 1978
303 Partnership,Ltd.	Limited Partner	1960 to 1965
304 Partnership,Ltd.	Limited Partner	1960 to 1965
305 Partnership,Ltd.	Limited Partner	1960 t0 1965
306 Partnership,Ltd.	Limited Partner	1960 to 1965
307 Partnership,Ltd.	Limited Partner	1960 to 1965
Religions		
Grace Episcopal Church	Member of Vestry	1958 to 1973
Young Life		1968 to 1971
Civic Clubs		
Lions Club	Member	1958 to 1960
Jaycees	Member	1960 to 1961
Civitian Club	Member	1961 to 1962
Kiwanis Club	Member	1963 to 1963
Rotary Club	Member	1973 to 1978
Professional		
Florida Bar	Member	1957 to present
American Bar Association	Member	1978 to present
Broward County Bar Association	Member	1978 to present
Clay County Bar Association	Member	1974 to 1978
Social		
Florida Yacht Club	Member	1974 to present
University Club	Member	1966 to present
River Club	Member	1974 to present
Club Continental	Member	1967 to present
Courtrooms Health Club	Member	1981 to present
Rudder Club	Member	1958 to 1960
Charitable		
American Heart Association	Member	(At various times
March of Dimes	Member	between 1957
United Fund	Member	and present)
American Cancer Society	Member	

Government experience: List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part time service or positions

Attorney General-State of Florida-Statutory Bill Drafting -Spring 1957
State of Fla. 1958-1959
Special Counsel-Joint Interim Legisative Comm.on Mental Health-
General Counsel-Florida Senate Committee on Finance & Taxation Spring 1959
State of Florida Spring 1961
General Counsel-Florida House of Representatives Comm.on Finance & Taxation
Member -Town Commission - Town of Orange Park, Florida 1961 to 1964
Reagan Transition Team- Export Import Bank -Washington, D.C. 1980

Published writings: List the titles, publishers and dates of books, articles, reports or other published materials you have written.

None

Political affiliations and activities: List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

Member of Democratic Party

Political contributions:

Itemize all political contributions of $500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify the specific amounts, dates, and names of the recipients.

Gerald Lewis Campaign Fund $ 1,000.00 September 1978

Robert Graham Campaign Fund $ 750.00 September 1978

Qualifications:

State fully your qualifications to serve in the position to which you have been named.
(attach sheet)

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

Yes, except as a Director of Q-Masters,Inc.

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

Nothing specific, but in all probability I will become active in Q-Masters,Inc

3. Has anybody made you a commitment to a job after you leave government?

No.

4. Do you expect to serve the full term for which you have been appointed?

Yes.

QUALIFICATIONS:

The Export-Import Bank faces the most critical time of its thirty-six year history. The key issue of whether the Bank should be competitive or self sustaining must be faced, together with many collateral matters.

The knowledge and background gained on the Transition Team gives me insight into these policy issues as well as into the day-to-day operations of the Bank.

The obvious qualifications for a Director of the Bank center around sound business and financial judgment. My training, background and experience of the past twenty-four years meet these qualifications.

The process of thoroughly analyzing a given situation, establishing the proper policy to deal with it, then implementing the chosen policy has been an integral part of my business life. This process is essential to an effective Eximbank.

As an attorney, engaged in a commercial, banking and real estate practice; as the organizer of a commercial bank and a Federal Savings and Loan Association; as the Chairman of the Board of a commercial bank and a Federal Savings and Loan Association; as a Director of a billion dollar Savings and Loan Association; as a real estate developer; and as an executive of a multi-unit restaurant operation; I am experienced in the intricacies of a broad range of legal, financial and business dealings. The success I have enjoyed in these endeavors is evidence of my qualifications and enables me to serve in this post.

The spectrum of the Bank's loan and guaranty activity is one with which I am acquainted. My years in banking exposed me to all aspects of this business and in particular the evaluation of credit applications. The business of the Bank goes well beyond this process and in these other areas I also feel comfortable by reason of my extensive background in negotiating numerous financial and business transactions.

The ongoing negotiations with our trading partners in attempting to reach a workable arrangement setting interest rates and terms of financing are vital to the future of the Bank. As an attorney and businessman, I have learned how to negotiate, not for the sake of negotiating, but to achieve the desired result.

The Bank has a statutory responsibility to encourage small businesses to enter the export field. My background has involved extensive dealings with small businesses. I speak their language and know their capabilities and limitations.

As an attorney, I will bring to the Bank a conviction that the Bank must function according to Congressional guidelines.

Thank you for the opportunity to place my qualifications to serve as a Director of the Bank before the United States Senate.

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

Bonus from North Ridge Bank declared in Dec. 1981 for $50,000 payable at $2,000 per month beginning in Jan. 1982.

An agreement for payment past services to Q-Masters, Inc. operator of 3 barbeque restaurants in Broward County, Florida payable $3,000 monthly beginning the month after Senate confirmation and continuing for 37 total months.

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

None of the entities in which I have or had an interest financial or otherwise has to my knowledge ever had any dealings with the Eximbank. If such dealings should occur I would disqualify myself from any consideration thereof.

3. Describe any business relationship, dealing or financial transaction (other than tax-paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

None, however, I am a Director of the Clay County regional office of Freedom Savings & Loan Association which is regulated by the Federal Home Loan Insurance Corporation and I am Chairman of the Board of North Ridge Bank which is regulated by the FDIC. I shall resign both of these positions although I forsee no conflict of interest with the Export-Import Bank.

4. List any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

None

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

I would disqualify myself from any and all consideration on any matters wherein a conflict of interest might conceivably arise.

Civil, criminal and investigatory actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

(See Attached Schedule B)

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

While practicing law in Orange Park, Florida I was on the Board of, and represented Freedom Federal Savings and Loan. When required to foreclose a mortgage for the Federal against a corporation in which my brother was a principal stockholder one of the creditors of the corporation complained to the Bar that I had a conflict of interest as I had previously represented my brothers corporation. The local grievance committee of the Florida Bar found no such conflict and no charges were filed and no proceedings were instituted.

SCHEDULE B

1. Defendent in case wherein Plaintiffs sought to enforce right of first refusal contained in lease of real property wherein I was part owner and lessor. Final disposition of case held in favor of Defendants. (3rd District Court of Appeal, Florida)

2. Defendant in case wherein Plaintiff sued to recover moneys alledged due from Defendants on a lease of real property which provided that Defendant/lessee would be entitled to reimbursement of the costs of certain leasehold improvements if lease was cancelled at Defendants/ lessors option. On successful appeal to 3rd District Court of Appeals by Defendant from an adverse judgment of $130,000.00 by Trial Court, $3,500.00 judgment was entered against the Defendants which was promptly paid.

3. Respondent in dissolution of marriage wherein Esther G.Yonge was petitioner. Marriage dissolved January 3, 1973, Circuit Court 4TH Judicial Circuit, Duval County, Florida (voluntary property settlement)